Economic Stimulus or Simply More Misguided Spending?

How Outdated Transportation Wish Lists Sent by States to Congress Ignore Current Trends and Neglect Urgent National Priorities

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Executive Summary

President-elect Obama has declared that the next recovery plan must do more than just pump money into the economy. It will also create the infrastructure that America needs for the 21st century.

This fall, Congress asked states to submit lists of "ready-to-go" transportation infrastructure projects that could be funded by the stimulus package. Lists from nineteen state departments of transportation (DOTs) show that the broader goals articulated by President-elect Obama will be undermined if Congress, the Administration, and the states do not establish forward-looking rules for spending stimulus funds.

Only about one-third of state DOTs have released to the public the project lists they submitted to Congress. However, a majority of the nineteen that have come to light are badly out of touch with the current trends, public priorities and transportation system needs that underpin the President-elect's declaration. Most stimulus project lists from state DOTs prioritize new highways while paying relatively little attention to repairing crumbling bridges and roads and even less emphasis on forward-looking transportation options, such as public transit and intercity rail. As a result, they are contrary to President-elect Obama's stated intention to use smart spending to reduce America's dependence on oil and emissions of global warming pollution.

On average, the nineteen states would spend more than 75 percent of funds on highways and only 17 percent on public transit or intercity rail. In fact, seven states would allocate 1 percent or less, including four that would allocate nothing at all. This would be a step backward from even the grossly inadequate 20 percent share received by transit in federal transportation laws since the 1970s. It runs counter to Americans' stated preferences, declining automobile use, and rapidly increasing transit ridership.

Of the fourteen state lists for which adequate data on types of proposed highway spending were available, states on average would divert the majority of highway funds for new and expanded roads rather than addressing their backlog of repair and maintenance projects. More than a third of states would use less than a quarter of road funds on backlogged repair or maintenance.

To prevent a misspending of recovery funds, Congress the next Administration and state leaders should apply six principles:

(1) Any road funds should go first to maintenance and repair of structurally deficient bridges and roads, not new highways or lanes;

(2) The combined total for public transit, intercity rail, and bicycle and pedestrian projects should be no less than funds for highways;

(3) Public transportation funds should include support for operations so agencies can accommodate the rising demand.

(4) Surface Transportation Program highway funds should be distributed as under current law so that a portion of resources flow directly to metropolitan areas that know best about which local projects are needed;

(5) All states, cities, and agencies should publicly disclose the stimulus lists they have submitted;

(6) Direct recipients of stimulus funds should report on how money was spent and any transportation spending that it displaced.

The economic recovery package will present an opportunity to advance widely recognized, new transportation priorities for the 21st century. It will be up to Congress, the Obama Administration, *and* the states to make sure that happens. So far, however, too many of the states are off to a troubling start.

Transportation infrastructure is good economic stimulus if spent correctly

> *"We will create millions of jobs by making the single largest new investment in our national infrastructure since the creation of the federal highway system in the 1950s. We'll invest your precious tax dollars in new and smarter ways, and we'll set a simple rule – use it or lose it."*
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> *President-Elect Barack Obama radio address Dec 6th, 2008*

As a path to restoring economic prosperity, investment in transportation infrastructure makes a great deal of sense. The impact of last year's stimulus checks were small because most funds weren't spent and what was spent went largely to expensive gas.[1] Infrastructure is a far better stimulus than rebate checks. Unlike checks from the IRS, infrastructure projects are more likely to generate new economic activity and create jobs in construction industries which have been hit particularly hard by the housing meltdown. Few infrastructure activities can be readily outsourced overseas. And projects can reduce America's dependency on oil.

The transportation system greatly needs new investment. Much of America's transportation network was built in the 1950s as part of President Eisenhower's Interstate Highway system. Those projects were completed decades ago. However, a large portion of bridges and other construction now needs repair. Across the nation, over seventy thousand bridges (or 12 percent of all bridges) have been designated as structurally deficient.[2]

A well functioning and modernized transportation sector will be an important part of improved future productivity and energy security, and will reduce traffic congestion and global warming pollution. If investments are made properly, transportation infrastructure will both stimulate the economy and modernize it for the 21st century.

America has learned the hard way that economic recovery spending must be accompanied by rules that ensure serious change and accountability. Many have criticized the federal Treasury Department for dispensing hundreds of billions of dollars to financial institutions without rules to ensure that recipients would use the money to make new loans to businesses and homeowners. December's Congressional defeat of a proposed auto bailout package, in part, reflected a lack of confidence that public funds would produce necessary transformative outcomes.

The 2009 Economic Recovery package must similarly do more than pump dollars into the economy while enlarging a dysfunctional transportation system. Done right, transportation infrastructure spending will both stimulate the economy quickly and fund forward-looking priorities. To do so, spending provisions must assure that money will well-spent.

Not every transportation dollar is equally well spent

When the economy is sagging, roads and bridges are crumbling, and public transportation systems are scrambling to keep up with booming demand, President-Elect Obama and others are right to recognize the need for investment. But it is critically

important how infrastructure money gets spent. It is not enough for Congress to simply spend money. In fact, the poorly thought out transportation policies of the past have contributed to many of America's most pressing problems. Consider:[3]

- Each year the average American living in an urban area spends 38 hours – nearly a full work weak – stuck in traffic delays, compared to 14 hours in 1982.
- With driving increasing over past decades, transportation has become the second biggest expense for the average household – even more than health care and just behind housing costs.
- Our transportation system is the chief source of our nation's addiction to oil, leaving America vulnerable to volatile prices and hostile foreign regimes.
- Cars and trucks are the biggest end-user source of global warming pollution, contributing to a third of the nation's emissions.

Clearly, not every infrastructure dollar is created equal. New and wider highways increase oil consumption and eventually increase congestion at choke points.[4] Meanwhile, rail, rapid buses, and other forms of public transportation are more efficient ways to move people and goods. Already public transportation saves billions of gallons of gasoline each year, prevents hundreds of millions of hours of traffic delay, and avoids tens of millions of tons of global warming pollution.[5]

Americans have clearly expressed their desire for more and better public transportation. A poll by the National Realtors Association found that 75 percent of those surveyed believed that improving public transit and building communities that require less driving are the best solutions for reducing traffic, while only 21 percent—one in five—believed that building new roads was the best solution.[6] Last November, this public sentiment was translated into victories for more than 70 percent of ballot questions for new spending on public transit.[7]

Recent transportation trends strongly reflect these preferences. Per-capita driving began declining even before the spike in gas prices in 2007 and 2008.[8] Transit ridership has grown steadily to new records, rising 6.5 percent in the last quarter despite declining gas prices. Amtrak intercity rail has similarly seen six straight years of record growth.[9] These increases are all the more remarkable considering how budget-strapped transit agencies have often had to cut service, even in the face of booming ridership. Last year 85 percent of surveyed agencies struggled to maintain capacity and two-thirds said funds were insufficient to meet increasing demand.[10]

The fastest possible way to get transportation funds into the economy is to restore transit services and fares that were in place just last year, before state and local budget cuts forced agencies to cut services and raise fares. These jobs are more than just “shovel-ready.” The vehicles and staff were already running and can get to work again on very short notice. This kind of spending has a triple benefit for stimulating the economy: it preserves transportation jobs, increases spending power for the record number of American transit users, and helps connect workers to jobs.

These forward-looking transportation options are ready to go when economic recovery dollars are made available. A survey of 216 public transit systems by the American Public Transit Association identified over 700 transit projects that could be initiated within 90 days of federal funding. Totaling $12.2 billion, these projects would create and support 340,000 American jobs. If, as President-elect Obama has stated, a two year recovery period is considered, a total of $47.8 billion worth of public transit projects have been identified that would yield over 1.3 million jobs.[11] And these figures do not even include intercity rail of the kind that President Obama and Vice President will travel on to the Inauguration.

Smart investments in road and bridge repair as well as on transit projects are also best at achieving the goal of the stimulus legislation to generate large numbers of jobs. In fact, evidence suggests that public transit generates 19 percent more jobs than spending the same money on highway expansion.[12] Road repair and maintenance generates 9 percent more jobs than constructing new highways. This makes sense because repair jobs are more labor-intensive, working with existing structures rather laying down larger quantities of (often imported) concrete and steel. Road expansion projects may be even less efficient job creators than these studies indicate. Estimates of job creation fail to consider that nearly ten percent of new road costs are diverted to purchases of land and rights of way that generate few jobs. Likewise, the more-sprawling forms of development that tend to accompany new highways are themselves typically less labor-intensive to construct.[13]

Troubling indications from state wish lists

Simply sending economic recovery funds for transportation to the states without spending rules that reflect national priorities and without accountability mechanisms will not ensure the most effective spending. We know this based on what the states themselves say they would do with the money.

As part of developing a stimulus plan, states have been asked to develop “ready to go” lists of transportation projects on which funds could be spent if made available. These lists have been collected by a national coalition of transportation reform groups.[14] They have been obtained for analysis for: Alabama, California, Colorado, Florida, Georgia, Idaho, Kansas, Maine, Massachusetts, Missouri, Nebraska, New York, North Carolina, South Carolina, Tennessee, Texas, Utah, and Wisconsin. Together, these states constitute 56 percent of the U.S. population.[15] Summarized at the back of this report, these lists are not necessarily complete; but they provide a snapshot of how money would be spent without additional stipulations.

The findings and conclusions of our analysis of the lists are troubling. In almost every state, there is a yawning gap between the kind of projects the states have queued up for stimulus money and the most-urgent priorities for bringing the nation’s transportation into the 21st century.

Road and bridge repairs shortchanged in favor of lane widening, new roads – Of the fourteen states for which sufficient data were available to analyze the allocation of road project funding, only Massachusetts would completely prioritize road funds toward repair and maintenance projects. Colorado, in second place, still

would divert almost 13 percent of road funds away from repair and maintenance. On average, states would allocate 56 percent of road funds away from repair and maintenance. Adding up total spending on state wish lists, funds for new or wider roads would be more than two and a half times greater than those for preserving existing assets. Florida, Kansas, South Carolina, Utah and Wisconsin would spend less than a quarter of road funds on repair and maintenance. (See Table 1)

Public transit takes a back seat – For the nineteen states with available lists, the average state would spend more 77 percent of funds on highways and only seventeen percent on public transit or intercity rail.[16] In fact, seven states would allocate 1 percent or less toward these growing transportation modes, including four that would allocate nothing at all. Florida, with dozens of much-needed transit and intercity rail projects more transit agencies than all but three states would allocate only 1 percent of funds to transit. These distributions represent a step backward from the already inadequate 20 percent share of funding in federal transportation laws since the 1970s. It also sharply contrasts with the long-term decline in automobile use and ridership records for transit and intercity rail. (See Table 2)

Beyond what we see in these lists, it is troubling what we don't see. There is no good reason why less than half of states' lists have become available to the public. Since the public will ultimately be asked to pay for the billions in economic recovery spending, it is imperative that project lists from all 50 states be fully transparent and accessible.[17]

Six guidelines for a smart stimulus

Short-term and long-term considerations for jobs and broader economic modernization suggest the same guidelines. In order to ensure effective stimulus spending and to prevent misallocation of funds that would undermine economic recovery goals, six basic guidelines should be followed:

1. **Spending for roads should prioritize fixing existing assets** – The country's crumbling bridges and roadways should be fixed before building new roads.
2. **The combined total for public transit, intercity rail, pedestrian and bike travel should be no less than funds for cars and trucks**. Looking toward the future, America must shift to more travel to rail, bus, and other forms of energy-efficient transportation. The net effect of transportation spending should reduce, not increase, America's consumption of oil.
3. **Include public transportation operations to preserve jobs and record ridership** – Federal support of operations during the recovery period will quickly protect transit jobs while maintaining systems to efficiently and cheaply connect workers with jobs.
4. **Spend at the local level –** Local metropolitan areas know best about where to allocate funds for their areas. Highway dollars allocated through the Surface Transportation Program should be distributed according to current law so that a portion of funds will be allocation through metropolitan areas.
5. **Transparent decision making** – States, localities and agencies who receive funds should publicly disclose their stimulus request lists and the criteria used to request funds and then spend them.

6. **Report on how money gets spent** – direct recipients must report on how economic recovery funds were spent, the jobs created, and the impact on oil consumption.

Conclusion

The neglect of backlogged road and bridge repairs public transit service in states' stimulus wish lists does not reflect urgent national priorities outlined by President-elect Obama or congressional leaders for an economic recovery. States like Massachusetts demonstrate that it is possible for states to spend on more effective and far-sighted projects. Whatever other states' reasons, their Departments of Transportation are not omitting transit or repair projects because of a lack of "ready to go" opportunities. Nor would these more-forward-looking projects produce fewer jobs than highway expansion.

The economic recovery package will present an opportunity to advance widely recognized, new transportation priorities for the 21st century. National and state leaders must ensure that it does not become merely an expensive way to enlarge our present problems.

Table 1: Road Spending on New Capacity versus Repair and Maintenance

	Road spending projects				
State	Total ($ millions)	New capacity		Repair/rehab/ maintenance	
		$ (millions)	%	$ (millions)	%
Alabama	$877				
Arizona	$869	$432	49.7%	$437	50.3%
California	$696	$219	31.3%	$478	68.7%
Colorado	$1,166	$146	12.5%	$1,020	87.5%
Florida	$6,890	$5,400	78.3%	$1,529	21.7%
Georgia	$2,176	$675	31.0%	$1,501	69.0%
Idaho	$804	$420	52.2%	$384	47.8%
Kansas	$1,300	$983	75.6%	$306	24.4%
Maine	$222				
Massachusetts	$233	$0	0.0%	$233	100.0%
Missouri	$750	$517	68.9%	$233	31.1%
Nebraska	$370				
New York	$1,830				
North Carolina	$5,167	$3,426	66.3%	$1,741	33.7%
South Carolina	$3,240	$2,606	80.4%	$634	19.6%
Tennessee	$950				
Texas	$6,041	$3,440	56.9%	$2,601	43.1%
Utah	$7,800	$7,560	96.9%	$240	3.1%
Wisconsin	$3,470	$2,998	86.4%	$472	13.6%
TOTAL		*$28,821*		*$11,809*	
Average state portion			***56.2%***		***43.8%***

Table 2: Spending on Highways, Transit and Rail, Bicycle and Pedestrian, and Aviation/Other

State	Total on list (million $)	Roads		Transit/Intermodal (including all rail)		Bike/Ped		Aviation and other	
		$ (millions)	$	$ (millions)	%	$ (millions)	%	$ (millions)	%
Alabama	877	877	100.0%	0	0.0%				
Arizona	1,234	869	70.4%	9	0.7%			356	28.9%
California	1,148	696	60.6%	426	37.1%			26	2.3%
Colorado	1,424	1,166	81.9%	144	10.1%			113	8.0%
Florida	6,970	6,890	98.9%	71	1.0%				
Georgia	3,444	2,176	63.2%	1,201	34.3%	22	0.6%	45	1.3%
Idaho	804	804	100.0%	0	0.0%				
Kansas	1,300	1,300	100.0%	0	0.0%				
Maine	325	222	68.3%	59	18.1%	9	2.8%	35	10.8%
Massachusetts	783	233	29.7%	369	47.1%	18	2.2%	164	21.0%
Missouri	800	750	93.8%	39	4.9%	6	0.8%	5	0.1%
Nebraska	370	370	100.0%	0	0.0%				
New York	3,701	1,830	49.4%	1,761	47.6%			110	3.0%
North Carolina	6,202	5,167	83.3%	630	10.2%	26	0.0%	379	6.1%
South Carolina	3,240	3,240	99.3%	23	0.7%				
Tennessee	1,698	950	56.0%	634	37.3%			114	6.7%
Texas	6,210	6,041	97.3%	142	2.3%	28	0.0%		
Utah	10,080	7,800	72.2%	3,000	27.8%				
Wisconsin	7,603	3,470	45.6%	3,300	43.4%			830	10.9%
TOTAL	*$58,213*	*$44,851*		*$11,807*		*$108*		*$2,177*	
Average state value			*77.4%*		*17.0%*		*0.3%*		*5.2%*

Notes:

[1] Harvard economist Martin Feldstein, who chaired the Council of Economic Advisers under President Reagan and supported the rebate checks, concludes that, "The rebates added nearly $80 billion to the permanent national debt but less than $20 billion to consumer spending. This experience confirms earlier studies showing that one-time tax rebates are not a cost-effective way to increase economic activity." http://www.nber.org/feldstein/wsj080708.pdf. According to a study by U.S. PIRG, the average household would have spent their entire stimulus on gasoline since approval of the rebate checks. See, http://www.uspirg.org/home/reports/report-archives/transportation/transportation2/squandering-the-stimulus . Another study by professors at two leading business schools show that the new spending from rebates checks that did occur was concentrated in superstores in electronics, appliances, and furniture. http://faculty.chicagogsb.edu/christian.broda/website/research/unrestricted/Stimulus%20Payments%20and%20Spending.pdf Much of these consumer goods are produced overseas.

[2] For a state-by-state breakdown, see the U.S. House Transportation & Infrastructure Committee, http://transportation.house.gov/Media/File/Full%20Committee/Bridge/Deficient%20Highway%20Bridges%20in%20the%20U%20S%20.pdf

[3] All data and sources can be found in, *A Better Way to Go: Meeting America's 21st Century Transportation. Challenges with Modern Public Transit* (March 2008), available at http://www.uspirg.org/uploads/2q/fV/2qfVu2ZrflTk-TnRQEDdDw/A-Better-Way-to-Go-vUSPIRG.pdf

[4] New highways generate new traffic, either by sparking new development in far-flung suburbs or by encouraging people who had taken other forms of transportation to drive instead. For an explanation of induced travel and citations of studies documenting this effect, see Todd Litman, Victoria Transport Policy Institute, *Generated Traffic and Induced Travel: Implications for Transport Planning*, December 22, 2008, available at http://www.vtpi.org/gentraf.pdf

[5] All data and sources can be found in, *A Better Way to Go: Meeting America's 21st Century Transportation. Challenges with Modern Public Transit* (March 2008), available at http://www.uspirg.org/uploads/2q/fV/2qfVu2ZrflTk-TnRQEDdDw/A-Better-Way-to-Go-vUSPIRG.pdf

[6] Public Opinion Strategies and National Association of Realtors, *The Key Findings From a National Survey of 1,000 Adults Conducted October 5, 7, 9-10, 2007*, available at http://www.smartgrowthamerica/narsgareport2007/narslidesgraphics.pdf

[7] http://www.apta.com/media/releases/081105_measures_pass.cfm

[8] On the decline of vehicle miles traveled, see Brookings (2008), *The Road… Less Traveled*, available at http://www.brookings.edu/reports/2008/1216_transportation_tomer_puentes.aspx

[9] American Public Transit Association, available at http://www.apta.com/research/stats/ridership/riderep/documents/08q3cvr.pdf

[10] American Public Transit Association (Sept. 2008) available at http://www.apta.com/media/releases/080909_capacity_report.cfm

[11] American Public Transit Association (Dec 2008) http://www.apta.com/media/releases/081218_new_vision.cfm . Similarly, over $1.2 billion in ready-to-go pedestrian and bicycle enhancements have been identified. See http://www.americabikes.org/stimulus.asp

[12] Setting the Record Straight: Transit, Fixing Roads and Bridges Offer Greatest Job Gains. Decoding Transportation Policy and Practice #11. Surface Transportation Policy Project (2004), available at *http://www.transact.org/library/decoder/jobs_decoder.pdf*

[13] *The Jobs Are Back in Town: Urban Smart Growth and Construction Employment*. Good Jobs First (Nov. 2003) available at http://www.goodjobsfirst.org/pdf/backintown.pdf

[14] Analysis of these lists has been conducted by Smart Growth America and led by Mark Stout, who worked for 25 years with the New Jersey Department of Transportation, most recently as Assistant Commissioner for Planning and Development. See also http://t4america.org/blog/archives/582#more-582

[15] Table 1: Annual Estimates of the Resident Population for the United States, Regions, States, and Puerto Rico: April 1, 2000 to July 1, 2008 (NST-EST2008-01), U.S. Census Bureau (Dec. 2008).

[16] The Utah list includes $3 billion of investment proposed for the "Mountain View Corridor," an intermodal project for which the money could be spent on roads or transit/rail. T present analysis conservatively assumes that this entire amount would be spent on transit. Given that our sample of nineteen states already includes big transit states such as New York, California and Massachusetts, there is no reason to think that our results under-represent the representation of transit requests in all fifty states.

[17] On the benefits of online posting of state expenditures and bids, see Transparency.gov 2.0, available at http://www.masspirg.org/uploads/av/VF/avVFUhvhAeBN4_jyHK_FPw/MAPIRG-TransGov-final.pdf